

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 SAJ-01 ACDA-05 CAB-02

COME-00 DOTE-00 EB-07 FAA-00 IO-10 /076 W

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FM USMISSION USBERLIN

TO SECSTATE WASHDC NIACT IMMEDIATE 423

AMEMBASSY BONN IMMEDIATE

INFO AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EAIR, WB, US, UK, FR, GE

SUBJECT: IGS ROUTE SWAP AGREEMENT

REFS A) USBERLIN 170; B) BONN 01564

C) STATE 21020

1. PAN AM AND BRITISH AIRWAYS ISSUED FOLLOWING PRESS
RELEASE JAN 30; BEGIN TEXT: BRITISH
AIRWAYS AND PAN AM PLAN ROUTE SWAP IN BERLIN AIR TRAFFIC.

1. ACCORDINGLY PAN AM WILL EXCLUSIVELY FLY FROM
BERLIN TO FRANKFURT, HAMBURG, MUNICH AND NUREMBURG.

2. BRITISH AIRWAYS WILL FLY EXCLUSIVELY TO
COLOGNE, DUSSELDORF, HANNOVER AND BREMEN.

3. PAN AM AND BA TO SHARE STUTTGART SERVICES.

4. THE ROUTE SWAP IS SUBJECT TO ALLIED POWERS
APPROVAL AND WOULD BECOME EFFECTIVE MAY 1, 1975.

REASONS:

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A) DUE TO THE ENORMOUS COST PRESSURE A RATIONALIZATION OF BERLIN AIR TRAFFIC IS NECESSARY.

(B) THE DECREASING PASSENGER FIGURES IN IGS CONTINUE, IN MONTHS OF JANUARY BOTH AIRLINES WILL HAVE ANOTHER DROP OF 17 PERCENT. IN THE YEAR 1974 THERE WAS A PASSENGER LOSS OF 12.5 PERCENT AND COMPARED WITH THE RECORD YEAR OF 1971 THIS MEANS A DROP IN PASSENGER FIGURES OF MINUS 36.5 PERCENT.

(C) RIGHT NOW THE BERLIN AIR TRAFFIC IS OPERATED WITH LOSSES.

(D) THE CONCENTRATION OF ALL RESOURCES BECAME NECESSARY TO MAINTAIN THE VOLUME OF THIS TRAFFIC.

(E) THE AIRLINES WILL TAILOR THEIR CAPACITY ON THEIR ROUTES ACCORDING TO THE MARKET.

(F) THE EXCHANGE OF ROUTES WILL LEAD TO A WELL BALANCED SCHEDULE AND WILL REDUCE AT THE SAME TIME THE COSTS.

(G) RIGHT NOW THE SEAT LOAD FACTOR OF THE BERLIN AIRLINES IS APPROXIMATELY 50 PERCENT I.E. HALF OF THE SEATS ARE FLYING EMPTY. ON HEAVY DEMAND DAYS AND ON HOLIDAYS THE AIRLINES WILL OPERATE EXTRA SECTIONS AS USUAL.

(H) AFTER THE ROUTE SWAP BOTH AIRLINES WILL USE ALL THREE BERLIN AIR CORRIDORS. END TEXT.
GERMAN-LANGUAGE VERSION OF RELEASE ALSO INCLUDED SYLT AMONG BA'S EXCLUSVIE DESTINATIONS DURING SUMMER SEASON.

2. PA AND BA OFFICIALS INFORMED SENAT SPECIALIST FOR AIR MATTERS OF RELEASE EARLY JAN 30. IN DISCUSSING SUBJECT THIS AFTERNOON WITH SENATOR FOR ECONOMICS KOENIG, PA DIRECTOR RUNNETTE RECEIVED SYMPATHETIC BUT NON-COMMITTAL HEARING.

3. LATER IN AFTERNOON SENAT PRESS SPOKESMAN STRUVE ISSUED FOLLOWING NEGATIVE STATEMENT ON AIRLINES'S PROPOSAL (IN ROUGH TRANSLATION) THE FACT THAT IN THE FUTURE THERE MAY POSSIBLY BE NO MORE CHOICE BETWEEN COMPETING COMPANIES ON MOST BERLIN AIR ROUTES MAKES CLEAR THE MONOPOLISTIC CHARACTER OF THIS TRAFFIC AND CAN IN ANY CASE ONLY BE ACCEPTED IF IT IS CONNECTED WITH CLEAR RATIONALIZATION BENEFITS. THESE MUST LIMITED OFFICIAL USE

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BENEFIT THE TRAVELER AND MUST NOT TAKE PLACE AT THE COST OF THE COMPANIES' PERSONNEL. THE SENAT IS THEREFORE OF THE OPINION THAT IN VIEW OF THIS

PLANNED DIVISION OF ROUTES, THE PRICE INCREASES FOR WHICH THE COMPANIES HAVE APPLIED, ARE NOT IN ORDER. THE SENAT ASKS THE COMPANIES WITH EMPHASIS TO WITHDRAW THE APPLICATIONS FOR PRICE INCREASES, PARTICULAR

LY

SINCE THEY HAVE NOT BEEN CONCLUSIVELY EXAMINED BY THE APPROPRIATE ALLIED, FEDERAL GENERNMENT AND SENAT OFFICES-AND ALOS ASKS THAT THE DIVISION OF ROUTES NOT BE USED FOR A DECREASE IN THE NUMBER OF PASSENGER SEATS AND THE FLIGHTS OFFERED.

4. COMMENT: STRUVE ADMITTED TO MISOFFS THAT ABOVE STATEMENT IS POLITICALLY NECESSARY BECAUSE OF ELECTION CAMPAIGN NOW UNDERSAWY. END COMMENT.

5. BRITISH HERE INFORM US THIS WILL RESPOND TO PRESS QUESTIONS AS FOLLOWS: QUOTE DISCUSSIONS HAVE BEEN TAKING PLACE BETWEEN THE TWO AIRLINES ON WAYS OF MAKING THEIR INTERNAL GERMAN SERVICES ECONOMIC. EACH AIRLINE HAS TO REPORT THE OUTCOME OF THESE DISCUSSIONS TO THEIR GOVERNMENTS WHO WILL CAREFULLY REVIEW AND EVALUATE PROBLEMS. END QUOTE COMMENT: BRITISH STATEMENT SUGGESTS THAT PAN AM'S IGS, LIKE BA'S, PRESENTLY UNPROFITABLE. WHILE IT APPEARS THAT RATIONALIZATION WILL ASSIST PANAM FINAN- Cially DO NOT BELIEVE WE SHOULD SUGGEST PUBLICLY THAT PANAM IN SAME ECONOMIC STRAIGHTS AS BA. WE HAVE PASSED THIS ON TO BRITISH MISSION HERE AND RECOMMEND SIMILAR COMMENT BE MADE IN BONN.GEORGE

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